

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 534 - HB 652

February 25, 2021

SUMMARY OF BILL: Makes various changes to the requirements on certain local government entities concerning the submission of annual budgets for approval by the Comptroller of the Treasury (COT).

ESTIMATED FISCAL IMPACT:

Decrease Local Expenditures – Exceeds \$18,800/FY21-22 and Subsequent Years

Assumptions relative to utility districts:

- The proposed language will:
 - Require all utility districts to submit their annual budget to the COT for approval;
 - Prohibit utility districts which either do not submit their annual budget or receive approval for such budget within two months of the beginning of the fiscal year, from issuing debt or financing obligations until the COT issues approval for the budget;
 - Authorize the COT to waive such prohibition on the issuance of debt and financing for emergencies; and
 - Remove an annual newspaper publication requirement on certain utility districts.
- While the number of utility districts which will be prohibited from issuing debt until their annual budget is approved is unknown, it is reasonably assumed that any such prohibition will be temporary and will not result in any impact to the terms or conditions which a utility district would otherwise receive for such debt or financing. Therefore, any fiscal impact to local government as a result of such prohibition is considered not significant.
- Based on information provided by the COT, approximately 165 utility districts in any given fiscal year will no longer be required to annually publish a report required by Tenn. Code Ann. § 7-82-501(e).
- Based on responses to the 2017 Local Government Survey conducted by the Fiscal Review Committee staff, participating local government officials reported the average cost for a newspaper notification is \$114.
- Removal of the annual publication will result in a decrease in local expenditures estimated to exceed \$18,810 (\$114 per publication x 165 publications) beginning in FY21-22 and occurring each subsequent year.

Assumptions relative to local governments:

- The proposed language will:
 - Require all budgets adopted by local governing bodies to be submitted for approval by the COT;
 - Decrease, from five months to two months, the amount of time after the beginning of a fiscal year a local government must submit and receive approval for their adopted budget;
 - Prohibit local governments which either do not submit their annual budget or receive approval for such budget within two months of the beginning of the fiscal year, from issuing debt or financing obligations until the COT issues approval for the budget; and
 - Authorize the COT to waive such prohibition on the issuance of debt and financing for emergencies.
- While the number of local governments which will be prohibited from issuing debt until their annual budget is approved in any given fiscal year is unknown, it is reasonably assumed that any such prohibition will be temporary and will not result in any impact to the terms or conditions which a local government would otherwise receive for such debt or financing. Therefore, any fiscal impact to local government as a result of such prohibition is considered not significant.

Assumptions relative to water and wastewater treatment authorities:

- The proposed language will:
 - Require all water and wastewater treatment authorities (WWTAs) and regional water and wastewater treatment authorities (RWWTAs), prior to issuing debt, to provide certain information to the COT;
 - Require WWTAs and RWWTAs to make certain newspaper publications;
 - Require WWTAs and RWWTAs to adopt balanced annual operating budgets and submit such budgets to the COT for approval within two months of the beginning of the fiscal year;
 - Prohibit WWTAs and RWWTAs which either do not submit their annual budget or receive approval for such budget within two months of the beginning of the fiscal year, from issuing debt or financing obligations until the COT issues approval for the budget;
 - Authorize the COT to waive such prohibition on the issuance of debt and financing for emergencies; and
 - Require WWTAs and RWWTAs to obtain a written request for proposal from a certain number of qualified firms prior to issuing certain debt.
- Based on information provided by the COT, there are eight WWTAs and no RWWTAs operating within the state and the instances of WWTAs issuing debt are rare.
- Any fiscal impact to local government as a result of the established procedures and publication requirements governing WWTAs and RWWTAs is estimated to be not significant.

Assumptions relative to the COT:

- The proposed language will:
 - Require the COT to provide guidance to the form of annual budgets, including supplemental schedules;
 - Remove a requirement that the COT publish, once a week for two consecutive weeks, a newspaper notice regarding local governments which are late in submitting their annual budget;
 - Require the COT to respond to WWTAs and RWWTAs within 15 days of receipt of certain information relative to their debt issuance; and
 - Review all budgets of applicable local government entities.
- Based on information provided by the COT, the COT has never published the required newspaper publication; therefore, any decrease in state expenditures is considered not significant.
- The COT will accomplish the additional responsibilities utilizing existing staff and resources; therefore, any increase in state government expenditures is considered not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Bojan Savic, Interim Executive Director

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